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ALERT MEMORANDUM

POLAND

Labor disturbances in the southeastern Polish city of Lublin could become more intense and spread to other areas of the country. Polish authorities apparently are having only limited success in controlling the increase in labor unrest in Lublin that has taken place over the past several days. In addition, although our information from the rest of the country is more limited, we fear that tensions could be increasing throughout Poland. We know, for example, that some agreements reached between striking workers and factory management elsewhere may be coming unglued. This has led us to be increasingly concerned that the strikes could degenerate into a violent confrontation with the regime.

The situation in Lublin has been particularly serious because:

- Work stoppages have occurred in at least 17 factories, and unrest has spread beyond the factories and affected essential services.
- Railway workers have blockaded Lublin's major railway arteries.

[REDACTED] the threat of street demonstrations.

In an extraordinary Politburo statement on Friday, the central party leadership exhorted workers to return to work [REDACTED]

There are several reasons why the labor disturbances that began on 2 July when the regime implemented meat price increases have continued to spread. The regime's tactic of giving 5- to 10-percent wage increases only to striking workers has led some other workers to realize they can force concessions from the regime by staging work stoppages. Workers in some factories where strikes had ended have gained the impression that pay hikes have been unevenly distributed, and they have walked off the

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Approved for Release
Date AUG 1999

21 July 1980

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job again. In addition, once strikes have begun, workers have been raising grievances that extend beyond simple wage increases, some of which the regime may find difficult to meet. The workers seem deaf to the regime's message--essentially correct--that balance-of-payments problems and other economic constraints require austerity measures.

The regime appears to have two ways to deal with the problem. The first--continued attempts to meet some worker demands through conciliatory steps--would be consistent with Gierek's policies over the past 10 years. To the extent that it gives in to striking workers, others will be encouraged to make new demands. At the moment, the key question is whether workers will be willing to compromise.

A conciliatory approach would seriously set back efforts to improve the critical balance-of-payments problems. It would require a shift of exports of food and other consumer goods to domestic use and/or an increase in food and other consumer goods imports. Word that such a shift of resources was taking place would complicate Polish efforts to borrow in Western capital markets. It is also likely that Poland would request stepped-up aid from the US--more CCC credits, for example.

The second option open to the regime is to use repressive measures, but Gierek is well aware that the ill-calculated use of force in 1970 brought down his predecessor, Wladyslaw Gomulka. Consequently, during 1976 disturbances over price increases, police faced rioting crowds unarmed. We would expect the regime to be extremely cautious and to seek to avoid the use of force. We have no evidence of increased alerts by police or military units.

Soviet Reaction

Moscow is undoubtedly watching the events in Poland closely but has thus far studiously ignored them in its media. no unusual activity on the part

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~~Top Secret~~

21 July 1980

~~Top Secret~~

of the two Soviet divisions stationed in Poland or Soviet forces in the western USSR bordering Poland. The Soviets would be extremely reluctant to take military action under any conditions--especially at a time when they are emphasizing detente with the West Europeans and are holding the Olympic Games in Moscow. For the time being at least, the Soviets are probably hopeful that Gierek--who has the experiences of 1970 and 1976 behind him--can eventually bring the situation under control and will give him their full support. [REDACTED]

The Polish leadership appears united in its conciliatory approach, and there seems to be no one who might exploit the circumstances to try to bring Gierek down. The regime is trying to contain unrest by appealing to Polish patriotism and--playing on popular fears--has implicitly raised the possibility of Soviet intervention. The Church may be working behind the scenes--as it has in the past--to calm the situation. Festering labor unrest could degenerate rapidly into violence, however, and the regime could be obliged to introduce force. If the Polish leadership proved incapable of restoring order in a situation that had deteriorated into violent confrontation, we believe the Soviets would, as a last resort, intervene. [REDACTED]

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21 July 1980